



STATE OF WASHINGTON  
OFFICE OF THE FORECAST COUNCIL

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November 12, 2002

**TO:** Senator Sid Snyder, Chair  
Senator Dino Rossi  
Representative Jack Cairnes  
Representative Jeff Gombosky  
Marty Brown, OFM, Director  
Will Rice, DOR, Acting Director

**FROM:** Chang Mook Sohn, Executive Director  
Office of the Forecast Council

**SUBJECT:** NOVEMBER 10, 2002 REVENUE COLLECTION REPORT

General Fund-State collections in the October 11- November 11, 2002 period were \$17.8 million less than expected. Revenue Act sources (sales, use, B&O, public utility and tobacco products taxes) accounted for more than the total shortfall, with receipts \$40.1 million less than expected. This shortfall was partially offset by another month of much higher than expected estate tax payments (+\$18.8 million). Property and cigarette tax payments were also a little higher the expected for the period. Despite less than expected collections for the month, General Fund-State receipts are \$17.8 million above the estimate for the two months since the September forecast due to last month's large positive variance. Although we have collected \$17.8 million more revenue than expected in the last two months, this does not mean we have seen any significant improvement in the economy. Non Revenue Act sources account for more than the total variance (+ \$26.0 million). This includes \$5.5 million due to three large non-reoccurring real estate excise tax payments. Much higher than expected estate tax payments (+\$20.0 million) accounts for virtually the rest of the Non Revenue Act variance. These payments reflect a windfall but are of a one-time nature and not related to current economic conditions. For the Revenue Act, tax sources that are closely linked to the economy, the \$8.4 million cumulative shortfall is understated due to special factors (primarily large non-reoccurring payments). Excluding special factors the General Fund –State receipts for the two months since the last forecast are only \$3.1 million higher than expected. Excluding the estate tax windfall, General Fund-State receipts were less than expected and indicate a slightly weaker economy than assumed in September.

The economy continues to show mixed signals. Nationally GDP was a little better than expected in the third quarter, but virtually no job growth has weakened consumer and business confidence considerably. Nationally, after growing April through August, employment fell in both September and October and remains below the year-ago level. At the state level, revised data indicate that employment in the second quarter was higher than assumed in the September forecast but employment growth in the third quarter appears weaker than expected. Also, we are expecting additional job losses in the aerospace sector, which will further delay any significant improvement in the economy and revenue growth.

Revenue act receipts in the October 11- November 10 collection period (primarily reflecting September 2002 business activity of monthly taxpayers and third quarter activity of quarterly filers) were higher than a year ago, the fifth increase in the last six months. However, the 1.9 percent increase this month, after adjusting for special factors and new legislation, was disappointing. The year-ago period included the impact of the September 11<sup>th</sup> terrorist attacks, thus was very depressed. An increase of less than two percent from this very weak level, despite a double-digit increase in auto sales, indicates that consumer and business spending is still very weak. Growth for the third quarter as a whole is up 2.4 percent, while weak relative to retail sales nationally and to state personal income growth, it is, nevertheless, the first quarterly increase in five quarters. Consumer and business spending is unlikely to improve until the employment starts to grow. This is not expected for a while.

Preliminary data on taxes paid during the October 11- November 10 collection period again show modest gains in retailing, primarily due to strong auto sales. Taxes paid by building materials retailers, electronics and appliance dealers and furniture stores were also up in the mid-single to low double-digit range. Considering the year-ago period was extremely weak, the gains this month were not surprising and perhaps were a little disappointing. Tax payments by businesses outside of the retail trade sector were once again significantly weaker than retail, with declines or no growth reported by the construction, manufacturing and information sectors.

Non Revenue Act General Fund receipts collected by the Department of Revenue were \$22.2 million more than expected in October and are \$26 million above the estimate for the last two months. The large variance is primarily due to another big month for the estate tax. Estate tax payment totaled \$26.6 million in October and accounted for \$18.8 million of the \$22.2 million Non Revenue Act variance. Payments of three large estates accounted for 70 percent of estate tax payment for the month and virtually the entire estate tax variance. Property tax collections were also higher for the month (\$3.2 million) and are \$3.8 million higher than expected for the last two months. Real estate excise receipts were \$1.4 million less than expected this month and are \$0.3 million above the forecast cumulatively.

Real estate excise activity continues to benefit from very low mortgage rates. Taxable activity increased 12.6 percent in September (real estate closings in September reflect real estate excise payments to the state in October). Real estate activity has increased in seven of the last nine months, although calendar year-to-date statewide taxable activity is only 2.6 percent above the year-ago level. The recession has slowed the growth of both the number of real estate transactions and the average transaction price especially in King and Snohomish Counties. For the year-to-date, the number of transactions is up 4.8 percent statewide but only 2.0 percent in King and Snohomish counties. The average transaction price has declined 1.9 percent in King and Snohomish counties but only 0.5 percent in the rest of the state.

Department of Licensing collections were \$0.1 million above the forecast in October and are \$0.2 million above the estimate for the two months since the September forecast.

The attached Table 1 provides a comparison of collections with the September forecast for the October 11- November 10, 2002 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

**TABLE 1**  
**Revenue Collection Report**  
**November 10, 2002 Collections Compared to the September 2002 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
<b>October 11 - November 10, 2002</b>				
Department of Revenue-Total	\$898,860	\$880,945	(\$17,915)	-2.0%
Revenue Act** (1)	795,510	755,404	(40,105)	-5.0%
Non-Revenue Act(2)	103,351	125,541	22,190	21.5%
Liquor Sales/Liter	6,870	6,748	(123)	-1.8%
Cigarette	4,554	5,069	515	11.3%
Property (State School Levy)	32,048	35,254	3,206	10.0%
Estate	7,826	26,583	18,757	239.7%
Real Estate Excise	34,989	33,543	(1,446)	-4.1%
Timber (state share)	0	0	0	NA
Other	17,064	18,344	1,280	7.5%
Department of Licensing (2)	649	741	92	14.2%
Lottery (5)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$899,509</b>	<b>\$881,686</b>	<b>(\$17,823)</b>	<b>-2.0%</b>
<b>Cumulative Variance Since the September Forecast (September 11 - November 10, 2002)</b>				
Department of Revenue-Total	\$1,636,049	1,653,663	17,614	1.1%
Revenue Act** (3)	1,451,176	1,442,820	(8,356)	-0.6%
Non-Revenue Act(4)	184,872	210,842	25,970	14.0%
Liquor Sales/Liter	14,841	15,099	258	1.7%
Cigarette	9,692	10,318	626	6.5%
Property (State School Levy)	41,924	45,772	3,848	9.2%
Estate	18,525	38,506	19,982	107.9%
Real Estate Excise	79,733	79,993	260	0.3%
Timber (state share)	0	0	0	NA
Other	20,157	21,153	996	4.9%
Department of Licensing (4)	1,409	1,567	158	11.2%
Lottery (5)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$1,637,458</b>	<b>\$1,655,230</b>	<b>\$17,772</b>	<b>1.1%</b>

1 Collections October 11 - November 10, 2002. Collections primarily reflect ASeptember 2002 activity of monthly taxpayers and July-September activity of quarterly filers.

2 October 1-31, 2002 collections.

3 Cumulative collections, estimates and variance since the September 2002 forecast; (Sept. 11 - Nov. 10, 2002) and revisions to history.

4 Cumulative collections, estimates and variance since the September 2002 forecast;(September & October 2002) and revisions to history.)

\* Based on the September 2002 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

**TABLE 2**  
**October 10, 2002 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
<b>Sept. 11 - October 10, 2002</b>				
Department of Revenue-Total	\$772,720	\$772,720	\$0	0.0%
Revenue Act (1)	687,416	687,416	0	0.0%
Non-Revenue Act(2)	85,304	85,304	0	0.0%
Liquor Sales/Liter	8,351	8,351	0	0.0%
Cigarette	5,248	5,248	0	0.0%
Property (State School Levy)-net	10,519	10,519	(0)	-0.0%
Property tax collections	10,519	10,519	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	ERR
Estate	11,923	11,923	(0)	-0.0%
Real Estate Excise	46,451	46,451	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	2,812	2,812	0	0.0%
Department of Licensing (2)	795	787	(8)	-1.0%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$773,515	\$773,507	(\$8)	-0.0%

**Cumulative Receipts: Sept. 11-October 10, 2002 & Revisions to History**

Department of Revenue-Total	772,718	\$772,718	(\$0)	-0.0%
Revenue Act (3)	687,416	687,416	0	0.0%
Non-Revenue Act(4)	85,302	85,302	(0)	-0.0%
Liquor Sales/Liter	8,351	8,351	0	0.0%
Cigarette	5,248	5,248	0	0.0%
Property (State School Levy)-net after transfer	10,519	10,519	(0)	-0.0%
Property tax collections	10,519	10,519	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	11,923	11,923	(0)	-0.0%
Real Estate Excise	46,451	46,451	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	2,809	2,809	0	0.0%
Department of Licensing (4)	834	825	(9)	-1.0%
Lottery (4)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$773,551</b>	<b>\$773,543</b>	<b>(\$8)</b>	<b>-0.0%</b>

P-Preliminary. Reported in the Oct. 10, 2002 collection report.

R Revised data.

1 Collections Sept. 11 - Oct. 10, 2002. Collections primarily reflect August 2002 business activity of monthly taxpayers.

2 September 1-30, 2002 collections.

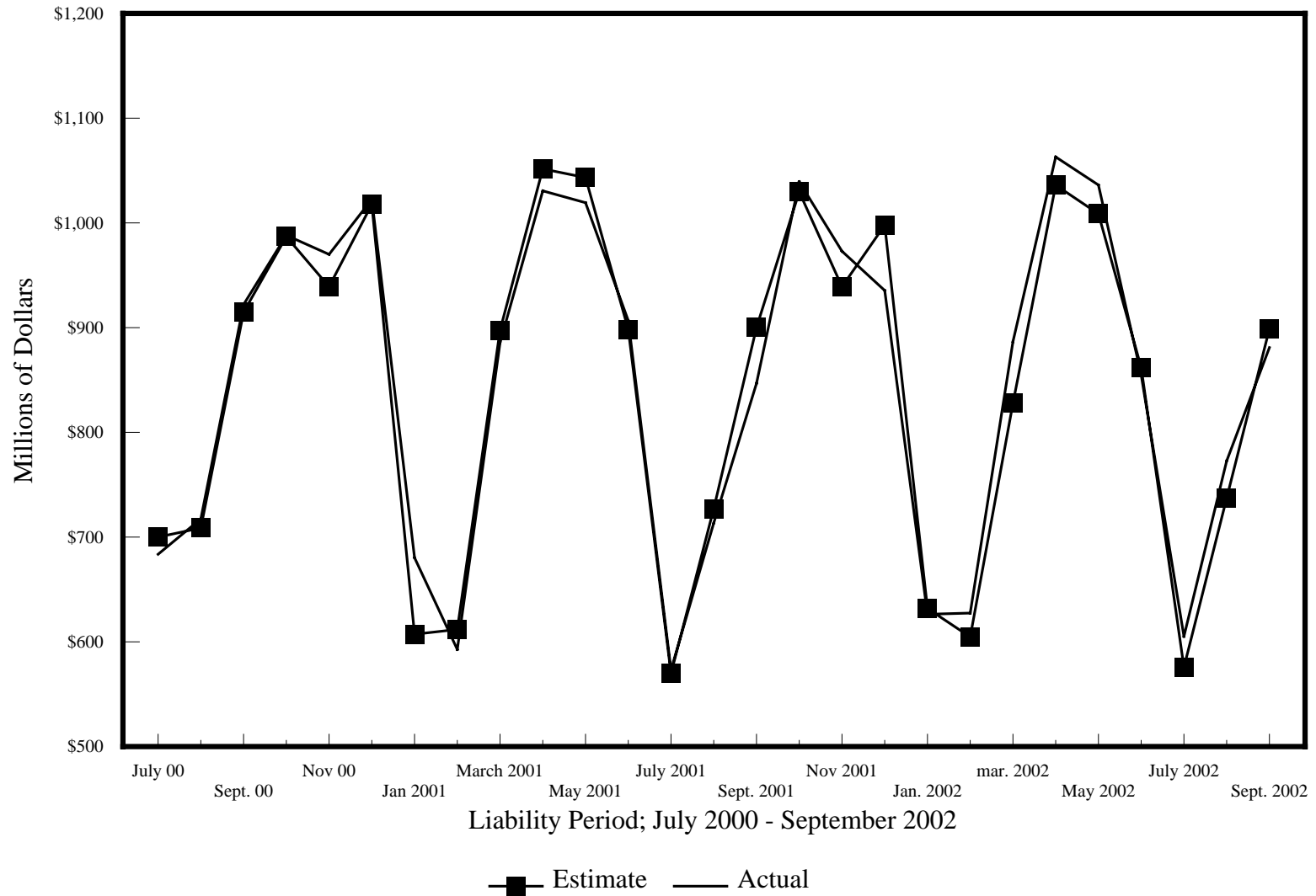
3 Cumulative variance for since the September 2002 forecast: September 11-Oct. 10, 2002 & revisions to history.

4 Cumulative variance: since the September 2002 forecast ( September 2002 ) & revisions to history.

\* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

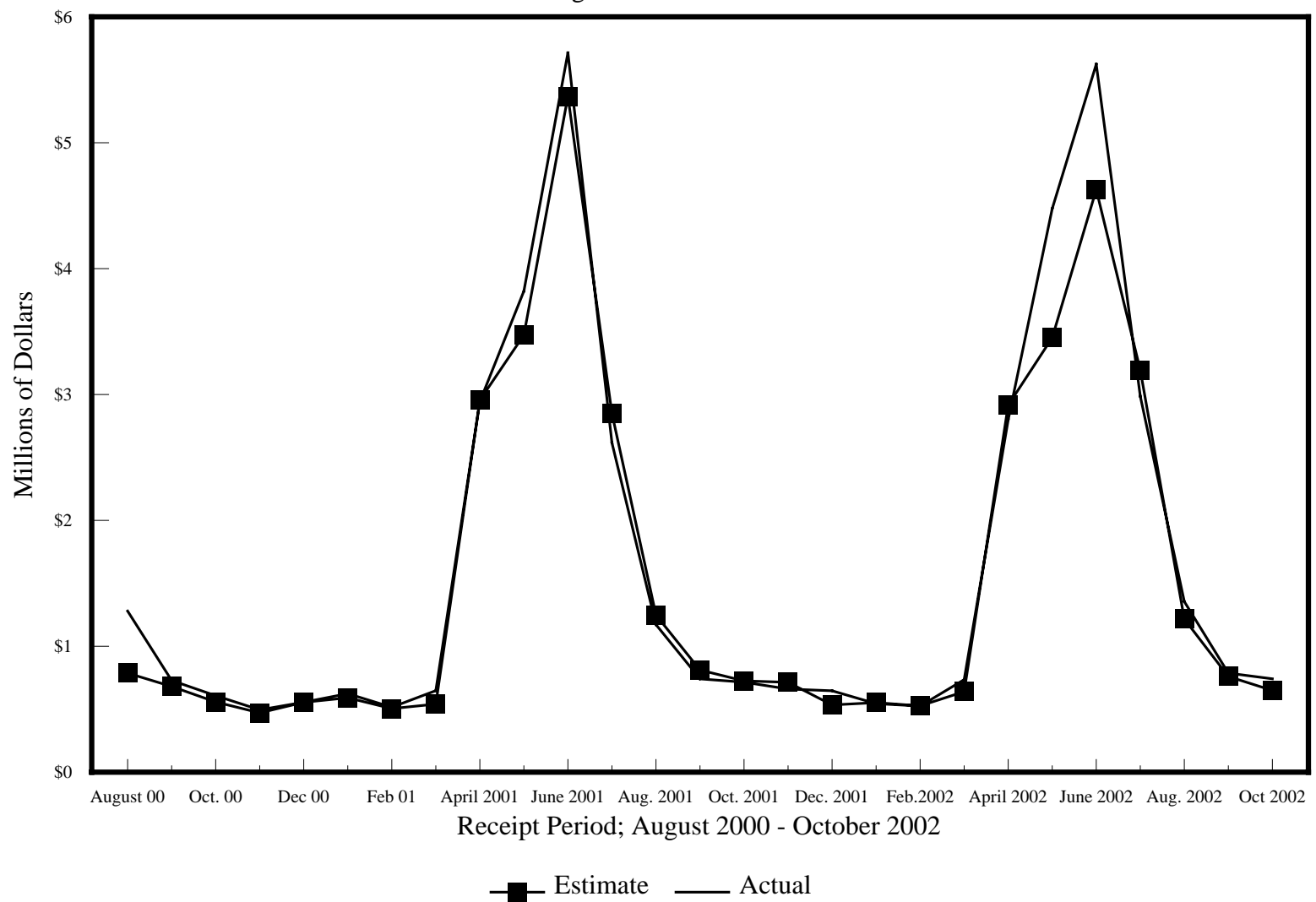
# Department of Revenue: General Fund-State, Actual vs. Estimate

July 2000 to September 2002



# Department of Licensing General Fund-State, Actual vs. Estimate

August 2000 to October 2002



# Revenue Act Net Collections

Year-over-Year Percent Change

